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PAGE 01 STATE 200225

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FOLLOWING REPEAT OTTAWA 3123 ACTION SECSTATE DTD 20 AUG

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJ: GOVERNMENT PROCUREMENT: POMERANZ VISIT

REF: OTTAWA 3055

1. FOLLOWING HIGHLIGHTS OF POMERANZ (STR) VISIT TO OTTAWA
ON AUGUST 19 TO DISCUSS OECD GOVERNMENT PROCUREMENT CODE WITH
GOC OFFICIALS PREPARED FOLLOWING POMERANZ DEPARTURE.

2. IN DAY-LONG SERIES OF MEETINGS, INCLUDING INTER-DEPART-
MENTAL MEETING IN AFTERNOON WITH OFFICIALS OF ITC, FINANCE,
SUPPLY AND SERVICES AND EXTAFF, POMERANZ MADE FORCEFUL AND
COGENT PRESENTATION OF REASONS WHY IT WOULD BE IN CANADA'S
OWN ECONOMIC SELF-INTEREST TO RECOGNIZE A COMMUNITY OF INTEREST
WITH THE U.S. IN MOVING FORWARD ON THE LONG-GERMINATING OECD
GOVERNMENT PROCUREMENT CODE. POMERANZ NOTED WITH DISMAY THAT
AT THE LAST TCWP ON GOVERNMENT PROCUREMENT THE CANDEL HAD
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PAGE 02 STATE 200225

SUPRISINGLY TAKEN AN AMBIVALENT POSITION AND INDICATED THAT

IT WAS NOT REPEAT NOT PREPARED TO MAKE ANY AD REFERENDUM COMMITMENTS ON THE CODE. POMERANZ STATED THAT THIS POSITION WAS HARMFUL TO THE U.S. POSITION AND THEREFORE HE HAD COME TO OTTAWA TO TRY TO CONVINCE THE GOC TO RESUME AT THE UPCOMING SEPTEMBER 15 TCWP MEETING ITS PREVIOUS POSITIVE POSITION, STRESSING THAT CANADA WOULD INCUR NO REPEAT NO PENALTY IN BACKING AWAY FROM AD REFERENDUM COMMITMENTS AT ANY POINT THAT CANADA WERE TO DECIDE THAT THE FINAL CODE PACKAGE DID NOT MEET ITS REQUIREMENTS AND DESIDERATA. POMERANZ ADDED THAT THE U.S. WOULD BE IN A SIMILAR POSITION, I.E., PROBABLY NEITHER THE U.S. NOR CANADA COULD PROCEED TO A FINAL CODE CONCLUSION WITHOUT AGREEMENT ON "TRANSPARENCY" OF PROCUREMENT PROCEDURES.

2. TO BUTTRESS THIS APPEAL, POMERANZ NOTED THAT THE TOTAL OECD DEVELOPED COUNTRIES' PROCUREMENT MARKET WAS WORTH ABOUT \$15 BILLION ANNUALLY (INCLUDING ABOUT \$1 BILLION IN CANADIAN FEDERAL PROCUREMENT) AND THAT EVEN IF CANADA WISHED TO DISCOUNT THE \$7 BILLION U.S. PROCUREMENT MARKET IN WHICH IT ALREADY HAS A PRIVILEGED POSITION, THE REMAINING \$7 BILLION MARKET OFFERED BY THE EC AND JAPAN SHOULD BE A VERY APPEALING OPPORTUNITY FOR CANADA TO EXPAND ITS EXPORT MARKETS. POMERANZ FURTHER ARGUED THAT CANADA SHOULD BE INTERESTED IN PUSHING FORWARD VIGOROUSLY WITH WORK ON THE CODE IF FOR NO OTHER REASON THAN TO EXERCISE AN INFLUENCE ON THE STILL-DEVELOPING EC DIRECTIVE ON PROCUREMENT POLICY.

4. GOC OFFICIALS (PRIMARILY HALLIDAY) STATED THAT WHILE CANADA STOOD "FOUR-SQUARE" WITH THE U.S. ON THE NEED FOR "TRANSPARENCY" IN ANY PROCUREMENT CODE AND THE NEED FOR A SURVEILLANCE MECHANISM AND POSSIBLE SANCTIONS FOR CODE VIOLATIONS, THE CANADIAN PERCEPTION OF THE PRESENT STATUS OF THE EXERCISE IS THAT THE CONCLUSION OF A CODE IS STILL SOMEWAY DOWN THE ROAD BECAUSE OF WORLD ECONOMIC CONDITIONS, THAT THE EC HAS NO REPEAT NO DISPOSITION TO NEGOTIATE AT PRESENT, AND THAT CANADA (AND OTHERS) MAY NOT REPEAT NOT BE ABLE TO ACCEPT A CODE PER SE OUTSIDE OF A MTN PACKAGE. HALLIDAY ALSO STATED THAT AN IMPORTANT PART OF THE PROBLEM FOR CANADA IN AD REFERENDUM DECISIONS IN THE TCWP IS THAT THE CANDEL PARTICIPATION TO DATE HAS BEEN WITHOUT MINISTERIAL LEVEL INSTRUCTIONS WHICH WOULD BE DIFFICULT TO OBTAIN UNTIL MANY FUZZY AREAS (SUCH AS THE QUESTION OF DEROLIMITED OFFICIAL USE

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PAGE 03 STATE 200225

GATIONS) OF THE PROPOSED CODE ARE CLARIFIED. HE AND OTHERS INDICATED CLEARLY THAT OFFICIALS ARE OUT IN FRONT OF MINISTERS IN THEIR THINKING ON CODE AND ARE RELUCTANT TO SEEK MINISTERIAL GUIDANCE BECAUSE IN PRESENT CIRCUMSTANCES SUCH GUIDANCE WOULD PROBABLY BE MORE NEGATIVE THAN EVEN MOST PESSIMISTIC OFFICIALS THINK POSSIBLE IN LONGER RUN.

5. IN CONCLUSION, HALLIDAY CLEARLY INDICATED THAT THE POMERANZ

VISIT HAD BEEN BOTH USEFUL AND TIMELY AND HAD GIVEN THE INTER-DEPARTMENTAL PARTICIPANTS A GREAT DEAL TO THINK ABOUT SERIOUSLY IN PREPARATION FOR UPCOMING MEETINGS IN PARIS. POMERANZ AGAIN URGED THE CANADIANS TO MAKE A DISPASSIONATE ECONOMIC SELF-INTEREST REVIEW OF THEIR POSITION. HE SAID THE U.S. BELIEVES THERE IS A STRONG NEED TO ASSESS BY YEAR'S END THE CODE'S FUTURE, REGARDLESS OF WHETHER THE WORK CONTINUES IN PARIS OR IN A GATT CONTEXT AT GENEVA.

6. IN PRIVATE MEETING BEFORE INTER-DEPARTMENTAL MEETING, HALLIDAY HAD INDICATED THAT HE PERSONALLY SHARED VIEW THAT EXERCISE SHOULD MOVE FORWARD EXPEDITIOUSLY, THAT HE HAD BEEN USING SOME OF SAME ARGUMENTS AS POMERANZ RE CANADA'S SELF-INTEREST IN OPENING UP ADDITIONAL MARKETS (ALTHOUGH NOT ALL DEPARTMENTS PERSUADED YET), THAT CONTINUING DISCUSSIONS ON CODE KEEPS USEFUL PRESSURE ON EC IN TERMS OF INFLUENCING EC INTERNAL DIRECTIVES, AND THAT IT WOULD BE UNFORTUNATE TO LET DISCUSSIONS LAPSE EVEN TEMPORARILY. HE SAID GOC MIGHT NOT BE IN POSITION TO TAKE LEAD BUT CERTAINLY WOULD NOT DO ANYTHING TO PREVENT EXERCISE GOING AS FAR AND AS FAST AS OTHERS WILLING TO LET IT. PORTER UNQTE ROBINSON

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